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# Quality Assurance Office Audit Procedure Manual

## APPLICABILITY

All divisions, facilities, and programs Department-owned and contracted as specified in the contract.

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## **Quality Assurance Office Mission Statement**

The Quality Assurance Office strives to mitigate risk and liability as well as increase performance and economy Department-wide through active monitoring of contracts and licenses, internal controls, and development and maintenance of quality policies and procedures.

### **I.**

## **Introduction to the Quality Assurance Office**

### **A. Quality Assurance Office General Information**

The Quality Assurance Office (QAO) is a division within the Director's Office of the Montana Department of Corrections (Department) and is responsible for monitoring Department-wide internal controls, contract compliance, facility licensure, PREA management, policy and procedural management, and safety and risk management. The QAO designs and implements multiple quality assurance programs and integrates services, policies, and initiatives with all Department-owned and contracted facilities and programs to promote successful, consistent, and quality practices throughout the Department.

The QAO operates under the guidelines of [Generally Accepted Governmental Auditing Standards \(GAGAS\)](#) and [International Standards for Professional Practice of Internal Auditing \(IIA\)](#), however, the QAO does not unconditionally meet all standards at all times.

QAO auditors are independent of the programs or facilities under audit and report solely to the Director's Office, meeting [IIA](#) and [GAGAS](#) requirements for Independent Internal Auditors status.

The QAO is comprised of the following staff:

Quality Assurance Director – Responsible for the overall administration and management of the QAO, and supervises the four (4) QAO program managers:

Compliance Manager – Responsible for the creation of compliance tools, internal control monitoring and compliance monitoring for the Department. The compliance manager is also responsible for the Department-wide risk management program.

PREA Coordinator – Responsible for Department-wide management and compliance with the Prison Rape Elimination Act 2003 (PREA).

Youth Compliance Manager – Responsible for licensing of youth detention facilities as well as compliance monitoring for Department youth programs and facilities.

Policy Manager – Administers policies and procedures and related matters for the Department. The policy manager oversees the Department's occupational safety and health program.

Approved Auditors - The QAO may utilize qualified staff from inside the Department but outside the QAO, who meet or complete mandated requirements and training, to assist with the audit process.

## **B. Quality Assurance Office Audit and Testing Function**

The QAO is responsible for the development of compliance tools and auditing instruments for Department-owned and contracted facilities and programs as determined necessary by the Department director, deputy director, or by specific request from a Department-owned or contracted facility or program.

The QAO is tasked with auditing Department-owned and contracted facilities and programs and reporting their findings to the Department director, and deputy director.

Information regarding the creation of audit tools and licensing instruments may be found in section D below.

The QAO director (QAD), in consultation with the Director's Office or requesting facility or program, will schedule audits based on priority level and time available. It is the responsibility of the QAD to supervise and assign an appropriate number of audit staff needed to conduct each audit.

Facility administrators may request a QAO audit at their program or facility by submitting an Audit Request Memo to the QAD, the letter should include;

- a. a formal intent request including the location and entity to be audited;
- b. general information of the program or facility; and
- c. an estimated time period the requesting facility or program requests the audit take place.

## **D. Types of Audits and Program Reviews**

### **Performance Audits**

Performance audits provide objective analysis to assist management with control and oversight by using audit information to improve program and operations, reduce costs, facilitate decision making parties with responsibility to oversee or initiate corrective action, and increase accountability. [GAGAS](#) defines performance audits as audits that provide findings and conclusions based on an evaluation of sufficient, appropriate evidence against criteria.

A performance audit is the most common type of audit performed by the QAO. There exist multiple types of performance audits which may have interrelated objectives. [GAGAS](#) defines three specific types of performance audits that are implemented by the QAO.

#### **Program Effectiveness**

The objectives of these audits are economy and effectiveness of a program. Objectives typically measure the extent to which a program is meeting its goals and address the cost and resources used to reach the objectives.

#### **Internal Controls**

These audit objectives relate to an assessment of one or more components of a facility's or program's system of internal control that is designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations. Internal control comprises

the plans, policies, methods, and procedures used to meet the facility or program mission, goals, and objectives. Internal control includes the processes and procedures for planning, organizing, directing, and controlling program operations, and managements systems for measuring, reporting and monitoring program performance.

### **Compliance Audits**

The objectives of compliance audits are assessments of compliance with criteria that is established by provisions of laws, contracts, regulations, and other requirements that mandate program or facility action. Compliance audits may be financial, non-financial, or a mixture of both.

### **Financial Audits**

The QAO may perform financial audits when requested by facility or program administrators or the Director's Office. [GAGAS](#) defines financial audits as an independent assessment of whether an entity's reported financial information (e.g., financial conditions, results, and use of resources) are presented fairly in accordance with recognized criteria. Financial Statement Audits provide an opinion whether a facility or program's financial statements are presented fairly in all material respects in conformity with an applicable financial reporting framework; this may include reports on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements that may have a material effect of financial statements.

### **Non-Audit Services**

This is a non-audit review performed by, or in consultation with, QAO staff. Program reviews are done at the request of program or facility management and targeted at a single program or process. They do not guarantee compliance or certification and are done as a cursory or complimentary review. As the QAO is in internal entity to the Department they provide assistance and advice to any entity owned or contracted by the Department. However, to maintain sound judgment and audit independence the QAO may use caution in providing advice or assistance when there is a possibility the QAO may be called upon to perform an audit or review of the facility or program in the future.

## **E. Development of Audit Tools and License Instruments**

The QAO utilizes manufactured compliance tools for programs that have a pre-created instrument. Grant programs and the PREA standard are examples of programs that have predetermined tools.

Montana adult secure facilities, such as the Montana State Prison, Montana Women's Prison, and contracted regional-county and private secure correctional facilities are involved in the creation of the Montana Secure Facility Audit Instrument. The QAD, subject matter experts (SME), and prison administrators will meet at least biennially and approve the content and use of the Montana Secure Facility Audit Instrument. Department-owned and contracted youth secure facilities will follow the same process as that of adult secure facilities.

Adult Community Corrections Division (ACCD) facilities and programs will operate similarly to that of the secure adult program. The QAD, SME's, community or regional

administrators, and ACCD management will meet at least biennially and approve the content and use of the Montana Probation and Parole Audit Instrument.

Department contracted facilities will be audited to specific requirements such as contracts in place, statutes, best practices and regulations existing in the specific field. Under normal circumstance contracted programs will be provided compliance material in advance of an audit.

## **II.**

### **Process of Audits**

#### **A. Pre-Audit Engagement Memo/Pre-Audit Meeting**

After an audit or review is scheduled, the QAD, or audit team lead, will prepare an engagement memo, normally 30 days in advance, for notification purposes to the facility or program administrator, the Department director, or designee, and other appropriate staff. The memo will include:

- a. the purpose of the audit;
- b. the scope that designates the area(s) to be audited;
- c. when appropriate, the audit tool/instrument, including the objectives, to be used;
- d. the scheduled start date and anticipated completion date of the audit; and
- e. any pre-audit requests from the QAO necessary for the upcoming audit to include but not limited to;
  1. organizational charts and job descriptions;
  2. program or facility history relevant to the audit;
  3. program or facility policies and procedures;
  4. financial data; and
  5. prior audit reports.

A pre-audit meeting may take place to further discuss the subjects in the audit memo and to gain a better understanding of the program and/or specific areas of risk.

#### **B. Audit Conferences**

##### **Entrance Conference**

QAO and the auditee will convene an entrance conference on the first day of the onsite audit, usually immediately following the audit team's onsite arrival. The conference scope may include:

- a. requests for any identified records or documents that are required for the audit;
- b. discussion of the onsite audit process; and
- c. requests for intra-audit conferences by the facility or program administrator. Intra-audit conferences will only be held at the request of the facility or program being audited.

##### **Intra-Audit Conferences**

Intra-audit conferences may be held at the end of each day's business by the request of the facility or program administrator. Intra-audit conferences may include the QAO audit team,

and any auditee staff deemed appropriate by the administrator, or designee. Intra-audit conferences may include;

- a. informal reporting by the QAO audit team regarding audit findings that are, or may become, less than full compliance;
- b. additional requests for documentation and information from the QAO audit team to the facility; and
- c. an avenue for the facility or program to provide detail or material information regarding areas that may be less than full compliance.

The QAD, or audit team lead, or auditee staff may end an intra-audit conference at any time.

### **Exit Conference**

An exit conference will take place at the conclusion of the onsite audit. The exit conference will include the audit team and auditee staff deemed appropriate by the administrator. Exit conferences will include:

- a. a formal reading of areas found to be below full compliance; and
- b. an opportunity for the facility to respond.

While exit conferences are formal and usually their findings are inclusive, the final audit report may include additional findings or eliminate findings discussed during the exit conference. The facility or program being audited must not consider the exit conference the final audit report. Any finding that will be included in the report must be reported to the auditee so they may respond.

## **C. Actions of the Audit Team (On-Site)**

The audit team will visually observe and interview staff and offenders, examine documentation and records, as well as collect onsite information to determine audit conclusions. Audit members must maintain work-papers that provide reasonable assurance and support of their findings. Typically the threshold used to gauge sufficient evidence is the reasonable person standard.

It is the responsibility of supervisory audit staff to ensure sufficient evidence is attained to provide for findings that meet the reasonable person standard. The QAO will work together before each audit to determine what the threshold of evidence will be to determine audit level findings. (i.e. full, substantial, or non-compliant)

The audit team will make every effort to limit interference with the daily operations of a facility or program being audited.

Audit team members must be impartial toward the entity of audit and must disclose any issues that may lead to questions of impartiality. Each audit team member will maintain confidentiality of sensitive facility or program material gathered for the audit.

QAO auditors will implement the following process to report and record audit findings during onsite reviews:

- i. Near the end of each business day the audit team will meet as a group and discuss probable audit findings.

- ii. An audit team member that reports a finding will inform the team and provide evidence for the finding, as well as the recommendation of finding type (i.e. non-compliant or substantial).
- iii. Under normal circumstance, the group must agree with the finding, not agree and eliminate the issue as a possible finding, or request additional information and evidence.
- iv. If the audit team agrees the finding merits reporting, it will be documented in the auditor's work-papers as well as listed on the docket for the exit conference.
- v. At no time will an audit team member report a finding to the auditee that was not presented and discussed with the audit team.
- vi. Issues that need more evidence, and not concluded while onsite will be reported to the auditee as issues of further investigation during the exit conference.
- vii. The auditee must be informed that issues not discussed at the exit conference may be included in the final report and issues discussed in the brief out may be excluded from the report. The auditee will be informed of all findings included in the report so they may respond.

#### **D. Audit Report**

After the completion of the onsite audit and acknowledgment between the audit team and auditee regarding findings, the QAD, or audit team lead, will distribute a final Audit Report to the Department director, deputy director, and the facility or program administrator. The Audit Report will include the objectives and scope of the audit as well as include each audit finding with sufficient evidence to support the finding. The report should include the auditee response to the finding as well as a recommendation to correct the finding.

Normal creation of an Audit Report will be under the following procedures:

- i. The audit team leader will draft an Audit Report in the pre-determined format after the conclusion of the onsite visit.
- ii. After a draft is produced the document will be circulated to the QAO and all staff included in the audit. Necessary and proper revision will be incorporated and the draft will be presented to the QAD.
- iii. The QAD will review the report draft and send suggestions back to the audit team leader for incorporation or further explanation. The audit lead, in consultation with audit staff, will make appropriate modifications and submit the draft back to the QAD. This process will be repeated until deemed completed by the QAD.
- iv. After the draft is approved by the QAD, the document will be submitted to a separate and independent member of the Director's Office for further review. If the staff member makes suggestions, the QAD in consultation with the team lead, will incorporate revisions deemed appropriate and resubmit the draft report to the Director's Office staff member.



- v. After the draft report completes all reviews it will be converted to PDF format and considered the final Audit Report.
- vi. The report will be submitted to the Department director, deputy director, auditee administrator, and other personnel as deemed appropriate.
- vii. Due to the nature of some audits it may be necessary to submit the report to the Department's legal services office before it is finalized and published.

### **III.**

#### **Audit Responsibilities**

##### **A. Audited Staff Responsibilities**

Auditee staff are encouraged to comply with requests for interviews, information, records, documentation, and other audit related material requested from the audit team.

Department employees may not intentionally mislead or conceal information, material, or documentation specifically requested by the audit team.

##### **B. QAO Audit Staff Responsibilities**

QAO staff are responsible for maintaining up-to-date knowledge of facility and program and contracted facility and program operations, as well as auditing standards, correctional best practices, ACA, state and federal laws, and policy and procedure. QAO staff will attend appropriate trainings and will meet the requirements of training and education or have specific knowledge in an audit area.

##### **C. Management Responsibilities**

Department or facility or program contract management must provide documentation and information requested by the audit team prior to, during, and after an onsite audit. Management is encouraged to attend both the entrance conference and the exit conference. Audited management is encouraged to provide audit staff with necessary office space and other necessary peripherals during the onsite audit

### **IV.**

#### **Post Audit**

##### **A. Corrective Action Plans and Audit Follow-Up**

After the Audit Report is submitted and the auditee is apprised of the findings, the facility or program may be required to submit a corrective action plan that details steps the auditee will take to correct the deficiencies. Some types of audits, such as PREA audits, corrective action plans are a predetermined part of the audit process. Other audit types, such as license audits, include a corrective action plan that contains deficiencies that must be corrected before a license is extended or granted. For other types of audits the normal corrective process includes the following procedures:

- i. If not included in the Audit Report the auditee will draft a corrective action plan that outlines steps to correct deficiencies. Usually a time frame of 30 days for auditee completion is granted.
- ii. If the auditee is a Department-owned program or facility the administrator will be responsible for the corrective action plan.
- iii. The QAO may assist the auditee attain compliance during a corrective action process.
- iv. At the end of the granted corrective action period, or the completion date as determined by the administrator, the QAD, or audit team lead will meet with the administrator and determine if the steps taken by the program or facility correct the deficient objective.
- v. As determined by the QAD, or audit team lead, follow up audit work may be necessary to determine compliance.
- vi. If compliance is not met and the date of completion is past, the QAD, or audit team lead, in consultation with the QAD, will inform the Director's Office of the continued deficiencies. If the purpose of the audit is to approve or extend a license, the license may be delayed, denied, or postponed.
- vii. If the auditee is a contracted facility the Department administrator responsible for the program or facility contract is responsible for the corrective action plan and the administrator will facilitate the corrective action process; the QAO may determine follow up compliance as determined appropriate.

An auditee may request the QAO follow-up and/or submit a corrective action plan when not required or a predetermined aspect of the audit process to assure compliance with audit recommendations.

## **B. Audit Evaluation Survey**

Normally 14 days after the completion of the Audit Report, or completion of a corrective action plan, the QAO will provide the auditee an Audit Evaluation Survey to identify areas to improve audit/review quality.

## **V.**

### **DOC Audit Training Standards and Requirements**

#### **A. Audit Training for non-QAO staff**

The QAO, in consultation with the Professional Development Bureau, will provide an introductory training program containing necessary pre-audit knowledge and skills that an entry level auditor must have before they participate in an audit. QAO Audit Training will be held at least biannually at appropriate locations.

All staff requesting to become a certified QAO audit assistant must have approval from their immediate supervisor and have at least one year of DOC experience before they may apply to attend QAO audit training. Staff with advanced educational, technical, or extensive

correctional experience that lack one year of Montana correctional experience may be authorized to attain the training by the QAD on a case-by-case basis. The QAO audit assistant training will;

- a. have a duration of at least one full working day, or 8 hours;
- b. encompass a comprehensive review of this procedure and DOC policy 1.1.7 Quality Assurance;
- c. contain classroom instruction with information needed for an auditor to execute the audit function as well as provide hands on “mock” audit training; and
- d. provide a sound background to mitigate auditor risk and liabilities.

After staff complete the mandatory audit training and successfully completed a QAO audit they will permanently attain qualified audit assistance status and may assist in any further audit as appropriate.

## **VI.**

### **References**

[Generally Accepted Governmental Auditing Standards, 2011 \(GAGAS\), commonly known as Yellow Book.](#)

[International Standards for Professional Practice of Internal Auditing \(IIA\).](#)

## **VII.**

### **Attachments**

- A. DOC Adult Secure Standards Audit Tool (*In development*)
- B. DOC Probation and Parole Facility Standards Audit Tool (*In development*)
- C. DOC Youth Secure Standard Audit Tool
- D. [PREA Standard Audit Instrument](#)

## **VIII.**

### **Definitions**

ACCD-Adult Community Corrections Division Contracted Facility – Includes Prerelease Centers (PRC), Sanction Treatment Assessment Revocation & Transition (START), Warm Springs Addiction Treatment & Change Program (WATCH), Connections Corrections Program (CCP), Passages Alcohol and Drug Treatment (Passages ADT), Passages Assessment, Sanction & Revocation Center (Passages ASRC), NEXUS Correctional Treatment Center (NEXUS), and Elkhorn Treatment Center (Elkhorn).

Administrator – The official, regardless of local title (division or facility administrator, bureau chief, warden, superintendent), ultimately responsible for the division, facility or program operation and management.

Adult Secure Facilities – Department-owned and contract facilities, to include Montana State Prison, Montana Women’s Prison, Crossroads Correctional Facility, Dawson County Correctional Facility, and Cascade County Correctional Facility.

Audit – A planned formal observation and evaluation of a facility or program, Department-owned or contracted, by the QAO to determine compliance with established policies and procedures, contract language, financial accounting, performance standards, other requiring documents, records, and other pertinent information.

Corrective Action Plan – The document that identifies how risk or deficient audit objectives will be corrected, who is responsible for the correction, and the date by which the corrections will be made.

Internal Control – A process designed to provide reasonable assurance that the objectives of reliable financial reporting, effective and efficient operations, and compliance with laws and regulations are achieved. The process encompasses the control environment, the identification and analysis of risks, control activities, information and communications within and outside the organization, and monitoring of the process over time.

Internal Control Specialist – The Department position of Compliance Manager located in the QAO responsible for Department-wide compliance monitoring and tool creation.

Monitoring Instrument – The QAO internal document designed as a policy and standards-based checklist to assess division, facility or program compliance with Department policies, facility operational procedures, contractual obligations, and statutory requirements

Operational Procedure – An internal management document developed at the division, facility, or program level that provides staff the direction on how to implement a Department policy, required action, or program.

Policy Directive – A Department of Corrections internal management document that provides the standards and directives by which Department divisions, facilities, and programs will operate.

Reasonable Person Standard – A comparative standard that represents what a hypothetical person who exercises average care, skill, and judgment in conduct would consider sufficient evidence to support a finding.